

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 2331 - SB 2373**

March 7, 2016

**SUMMARY OF BILL:** Eliminates the requirement that a healthcare services provider be at a hospital or other qualified site for the service to be considered telehealth services for insurance purposes. Requires a health insurance entity to reimburse for healthcare services provided during a telehealth encounter on the same basis and at least at the same rate that the health insurance entity is responsible for coverage for the provision of the same service through in-person encounters without any distinction or consideration of the geographic location, or any federal, state, or local designation or classification of the geographic area where the patient is located. Effective date July 1, 2016

**ESTIMATED FISCAL IMPACT:**

On February 16, 2016, a fiscal note was issued estimating a fiscal impact as follows:

*Increase State Expenditures - \$85,600*

*Increase Local Expenditures – Exceeds \$5,200*

Based on additional information provided by the Bureau of TennCare, the Bureau would be required to pay for telehealth services provided through emails and phone calls at the same rate as an office visit as well as for increased access costs to provide telehealth encounters without geographic location considerations; given this information, the estimated fiscal impact has been corrected as follows:

**(CORRECTED)**

**Increase State Expenditures - \$12,910,800**

**Increase Federal Expenditures - \$23,783,700**

**Increase Local Expenditures – Exceeds \$5,200**

Corrected Assumptions:

- Based on information provided by the Department of Finance and Administration Division of Benefits Administration, the proposed legislation would expand coverage. Currently, plan documents for the State, Local Education, and Local Government plans

**HB 2331 - SB 2373 (CORRECTED)**

specifically exclude telephone consultations, except as administered through vendor programs and approved by the plan.

- The proposed legislation removes the exclusions for audio-only conversations, electronic mail messages, and facsimile transmissions. Benefits Administration would have to reimburse for telephone conversations on the same basis that they reimburse telehealth services.
- The Division's third-party administrators currently contract to provide telehealth services at a cost per visit of \$13 for the Partnership State Employee Plan, \$8 for the Standard State Employee Plan, or \$3 for the Limited Local Education Plan.
- Based on staff analysis of all visits, the state paid the following amounts on average for face-to-face encounters in 2014: \$59.62 for individuals enrolled in the Partnership State Employee Plan; \$54.24 for individuals enrolled in the Standard State Employee Plan; \$56.98 for individuals enrolled in the Partnership Local Education Plan; \$52.92 for individuals enrolled in the Standard Local Education Plan; and \$50.70 for individuals enrolled in the Limited Local Education Plan.
- Assuming 1,409 visits for individuals enrolled in the Partnership State Employee Plan, the increase in expenditures is estimated to be \$65,688 [1,409 visits x (\$59.62 physical visit - \$13 per telehealth visit)]. Assuming 462 visits for individuals enrolled in the Standard State Employee Plan, the estimated increase in expenditures is \$21,363 [462 visits x (\$54.24 physical visits - \$8 per telehealth visit)]. The total increase in expenditures is \$87,051 (\$65,688 + \$21,363).
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in an increase in state expenditures of \$69,641 (\$87,051 x 0.80).
- Assuming 992 visits for individuals enrolled in the Partnership Local Education Plan, the increase in expenditures is estimated to be \$43,628 [992 visits x (\$56.98 per physical visit - \$13 per telehealth visit)]. Assuming 307 visits for individuals enrolled in the Standard Local Education Plan, the increase in expenditures is estimated to be \$13,790 [(307 visits x (\$52.92 per physical visit - \$8 per telehealth visit))]. Assuming 67 visits for individuals enrolled in the Limited Local Education Plan, the increase in expenditures is estimated to be \$3,196 [(67 visits x (\$50.70 per physical visit - \$3 per telehealth visit))].
- The total increase in expenditures is estimated to be \$60,614 (\$43,628 + \$13,790 + \$3,196).
- According to Benefits Administration, the state contributes 45 percent of instructional staff premiums (75 percent of Local Education Plan members) and 30 percent of support staff members premiums (25 percent of Local Education Plan members) resulting in an increase in state expenditures of \$25,003 [(\$60,614 x .75 x .45) + (\$60,614 x .25 x .30)].
- It is estimated that the total increase in state expenditures through Benefits Administration will be \$94,644 (\$69,641 + \$25,003).
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.
- In 2014, the Local Government average for face-to-face encounters was \$56.90 for the Partnership plan, \$54.22 for the Standard Plan, and \$50.15 for the Limited Plan.
- Assuming 110 visits for individuals enrolled in the Partnership Local Government Plan, the estimated increase in expenditures is estimated to be \$4,829 [110 visits x (\$56.90 per physical visit - \$13 per telehealth visit)]. Assuming 56 visits for individuals enrolled in the Standard Local Government Plan, the increase in expenditures is estimated to be

\$2,588 [56 visits x (\$54.22 per physical visit - \$8 per telehealth visit)]. Assuming 65 visits for individuals enrolled in the Limited Local Government Plan, the increase in expenditures is estimated to be \$3,065 [65 visits x (\$50.15 per physical visit - \$3 per telehealth visit)].

- The total increase in expenditures for the Local Government Plan is estimated to be \$10,482 (\$4,829 + \$2,588 + \$3,065).
- The average local government contribution to member premiums is unknown. It is estimated that participating local governments contribute 50 percent to member premiums and that local government expenditures will increase by at least \$5,241 (10,482 x .50).
- Based on information provided by the Bureau of TennCare, the Bureau anticipates an increase in utilization of telehealth encounters through email and phone calls.
- Assuming a three percent increase in these types of claims, it is estimated there will be an increase of 192,631 (6,421,033 total claims x 0.03) email and phone call claims at a rate of \$38 per service resulting in an increase in expenditures of \$7,319,978 (192,631 emails/calls x \$38 per service) for one MCO. The Bureau contracts with three MCO's, assuming the other two experience a similar increase, the total estimated increase in expenditures is estimated to be \$21,959,934 (\$7,319,978 x 3).
- Telehealth encounters are currently reimbursed from a qualified site. The proposed legislation authorizes telehealth encounters without any distinction or consideration of geographic location which will increase access and evaluation-and-management (E&M) costs.
- Assuming a two percent increase for access costs, it is estimated there will be an increase of \$14,639,955 [(6,421,033 total claims x 0.02 x \$38 per service) x 3 MCOs].
- The total recurring increase in expenditures through TennCare is estimated to be \$36,599,889 (\$21,959,934 + \$14,639,955).
- Medicare expenditures matching funds at a rate of 64.983 percent federal funds and 35.017 percent state funds.
- The recurring increase in state expenditures is estimated to be \$12,816,183 (\$36,599,889 x 0.35017) in state funds and \$23,783,706 (\$36,599,889 x 0.64983) in federal funds.
- The total recurring increase in state expenditures is estimated to be \$12,910,827 (\$94,644 + 12,816,183).
- According to the Department of Commerce and Insurance, the TennCare Oversight and Insurance Divisions of the Department can review the provider agreements and investigate provider complaints within existing resources.
- The proposed legislation will not affect the programs or operations of the Department of Health, any fiscal impact would be not significant.

## **IMPACT TO COMMERCE:**

On February 16, 2016, a fiscal note was issued estimating an impact to commerce as follows:

*NOT SIGNIFICANT*

Based on additional information provided by the Bureau of TennCare, the Bureau would be required to pay for telehealth services provided through emails and phone calls at the same rate as an office visit as well as increase access costs to provide telehealth encounters without geographic location considerations; given this information, the estimated impact to commerce has been corrected as follows:

**(CORRECTED)**

**Increase Business Revenue - \$36,699,700**

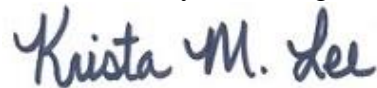
**Increase Business Expenditures – Less than \$36,699,700**

Corrected Assumptions:

- Health care providers that provide telehealth services will incur a recurring increase in revenue to cover the recurring costs of coverage provided by insurance companies as a result of the proposed legislation.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- An exact impact to commerce cannot be determined due to a number of unknown factors, but the increased revenue is reasonably estimated to exceed the amount of increased state, local, and federal expenditures resulting from the proposed legislation.
- For companies to retain solvency, any increased expenditures will be less than the amount of revenue collected.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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